

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BAC4694 – FORENSIC ACCOUNTING

(All sections / Groups)

29 MAY 2017
9.00 am. – 12.00 pm. !
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR** printed pages excluding cover page with **FOUR** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answer in the Answer Booklet provided.

QUESTION 1

"The numbers should look better this quarter since they've been *photoshopped*"

The 2016 ACFE Report to the Nations on Occupational Fraud and Abuse provides an analysis of 2,410 cases of occupational fraud that occurred in 114 countries throughout the world. More occupational frauds originated in the accounting department (16.6%) than in any other business unit. Financial statement fraud was on the other end of the spectrum, occurring in less than 10% of cases but causing a median loss of \$975,000.

REQUIRED:

- Assume you are the fraud examiner engaged by the above company Chairman to prevent fraud in his company, suggest FOUR (4) ways that the company can do to prevent opportunities for fraud related to above scenario.
(12 marks)
- Assume the above company is charged with fraud case. Explain the elements that an expert witness can used to testify about the fraud.
(8 marks)
- Assume you are hired as forensic examiner to investigate the above fraud case, you issue a production request to the accountant to see the company bank statements. When the statements are provided to you, you are required to preserve the documents as they are the only evidence available. Suggest on how to deal with this situation.
(5 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 2

Joanne Rodrigues, 54, the former office manager at Aloha Termite and Pest Control, had embezzled nearly US\$1,200,000 from the company. She had been sentenced to one year in prison, placed to five years of probation, and ordered to pay restitution for the money she had been stolen in three and half years.

Following her indictment, Rodrigues claimed that she had a gambling problem. However, the deputy city prosecutor said the problem was "purely greed". It was revealed that Rodrigues wrote cheques to purchase chemicals for the business but then cashed the cheques herself. During this time, the company was struggling financially. It was cutting expenses, laying off employees, and borrowing money to stay in business. Company owner, Shawn Murray, and his outside CPA concentrated on reviewing financial statements prepared by Rodrigues, but they never considered looking at any underlying documents.

Rodrigues had maintained complete control over all accounting records and did not want other employees to have anything to do with them. Shawn Murray said she considered Rodrigues a dear friend; she was godmother to this firstborn child. "She would always show me the numbers, and they looked OK. She was paying the bills, and she assured me not to worry, that we would get through these tough economic times, and we could get through them together. All the while, she was pocketing every penny she could". What Shawn did not know was that Rodrigues was caught embezzled by her three previous employers.

*Source: "Employee Embezzlement" by William R. Kauppila
Fraud Magazine, Jan/Feb 2007*

REQUIRED:

- a) Discuss the fraud triangle involvement in the above case which had allowed Rodrigues to commit fraud.
(12 marks)
- b) Explain what is control environment and how it can help to promote operational efficiency and effectiveness.
(10 marks)
- c) List types of audit test would normally be used for auditors in the above case.
(3 marks)

[TOTAL 25 MARKS]

Continued...

QUESTION 3

You are the internal auditor in Infinite Creative Berhad and have been asked by the board of directors to conduct an internal review of the company's Account Payable Department following a complaint received from an employee through the company's fraud hotline system.

Below is an excerpt of the telephone conversation between the complainant and the fraud hotline operator:

- Hotline operator : Good afternoon. How may I help you?
- Anonymous caller : Good afternoon. I would like to report a suspicious behaviour, possibly a wrong doing, in the Account Payable Department. Can you guarantee that my identity will be protected?
- Hotline operator : Yes, of course. You could remain anonymous and I assure that this call will be kept strictly confidential. What has happened?
- Anonymous caller : This morning I was approached by my boss, Mr. Faizal, the senior manager in the Account Payable Department. He asked me to process an invoice from JKL Sdn Bhd for payment. He said it is a rush invoice coming from one of our Vice Presidents in Selangor's branch. When I wanted to look up the signature in the authorization limit file, he stopped me and he looked so angry. He snatched the invoice and walked away before I could say anything. I remember one of my colleague told me last week Mr. Faizal has asked her to approve the rush invoice for payment. The invoice was also from JKL Sdn Bhd even though JKL is not listed on the approved vendor list. His face turned red when my colleague pointed out that there was no Purchase Order attached to that invoice. However, he insisted that the payment be processed and the cheque to be sent to PO Box address without further verification. According to my colleague, this had happened for quite number of times in the last three months.
- Hotline operator : Thank you so much for this information. I would recommend an internal review to be carried out on this vendor.
- Anonymous caller : You are welcome.

Continued...

REQUIRED:

- a) Identify the red flags that are present in this case which could arise suspicion that fraud might have occurred. (15 marks)
- b) Explain THREE (3) types of whistle-blower protection to make it a successful mechanism to prevent fraud. (6 marks)
- c) State FOUR (4) principles relate to the detection of fraud. (4 marks)

[TOTAL 25 MARKS]**QUESTION 4**

Syatilla has been away from Malaysia for the past five years. Recently, she wanted to sell her house in Cyberjaya and contacted several real agents to discuss with them a listing for the house. She was informed by these realtors that her house has been rented to individuals whom she does not know. Someone is collecting the rent amounts on her house; furthermore, she has found upon checking with her county records that a certain individual has used her name, received loans on her property, bought a business in her name and accumulated a huge amount of financial burden with her name.

REQUIRED:

- a) State what is actually happen to Syatilla in this case? (5 marks)
- b) Assume you are the fraud examiner introduced to Syatilla who was still in trauma and decided to consult you about the possible risk exposure as being the victim of identity theft. (12 marks)
- c) Based on the above case, suggest to Syatilla effective ways to minimize the risk of being identity theft victim. (8 marks)

[TOTAL 25 MARKS]**End of Paper**